

operation and maintenance of a particular plant or department, such as production, transmission, distribution, or similar items, or in stores, must be charged to the property account appropriate for their use.

(c) The equipment accounts must include angle irons and similar items that are installed at the base of an item of equipment, but piers and foundations that are designed to be as permanent as the buildings that house the equipment, or that are constructed as a part of the building and that cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building, must be included in the building accounts.

(d) The cost of efficiency or other tests made subsequent to the date equipment becomes available for service must be charged to the appropriate expense accounts, except that tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, and similar items, guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement or contract of purchase may be charged to the appropriate service company property account.

§ 367.58 Property record system required for service company property.

(a) Each service company must keep its cost allocation system so as to show the nature of each addition to or retirement of service company property, the related total cost, the source or sources of costs, and the property account or accounts to which charged or credited. Records covering jobs of short duration may be cleared monthly.

(b) Each service company must maintain records in which, for each property account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various record units or retirement units.

§ 367.59 Additions and retirements of property.

(a) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of service company property, all property

will be considered as consisting of retirement units and minor items of property. Each company must maintain a written property units listing for use in accounting for additions and retirements of property and apply the listing consistently.

(b) The addition and retirement of retirement units must be accounted for as follows:

(1) When a retirement unit is added, the related cost must be added to the appropriate service company property account.

(2) When a retirement unit is retired, with or without replacement, the related book cost must be credited to the property account in which it is included, determined in the manner provided in paragraph (d) of this section. If the retirement unit is of a depreciable class, the book cost of the unit retired and credited to service company property must be charged to the accumulated provision for depreciation applicable to the property. The cost of removal and the salvage must be charged or credited, as appropriate, to the depreciation account.

(c) The addition and retirement of minor items of property must be accounted for as follows:

(1) When a minor item of property that did not previously exist is added to service company property, the related cost must be accounted for in the same manner as for the addition of a retirement unit, as provided in paragraph (b)(1) of this section, if a substantial addition results, otherwise the charge must be to the appropriate maintenance expense account.

(2) When a minor item of property is retired and not replaced, the related book cost must be credited to the property account in which it is included; and, in the event the minor item is a part of depreciable property, the account for accumulated provision for depreciation must be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when the unit is retired, no separate credit to the property account is required when the minor item is retired.

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement must be charged to the maintenance account appropriate for the item. However, if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment must be charged to the appropriate property account.

(d) The book cost of service company property retired must be the amount at which the property is included in the property accounts, including all components of construction costs. The book cost must be determined from the service company's records and, if this cannot be done, it must be estimated. Service companies must furnish the particulars of the estimates to the Commission, if requested. When it is impracticable to determine the book cost of each unit, due to the relatively large number or related small cost, an appropriate average book cost of the units, with due allowance for any differences in size and character, must be used as the book cost of the units retired.

(e) The book cost of land retired must be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for related depreciation or amortization that has been authorized and provided) and the sale price of the land (less commissions and other expenses of making the sale) must be recorded in accounts 421.1, Gain on disposition of property (§367.4211) or 421.2, Loss on disposition of property (§367.4212), as appropriate.

(f) The book cost less net salvage of depreciable service company property retired must be charged in its entirety to account 108, Accumulated provision for depreciation of service company property (§367.1080).

(g) The accounting for the retirement of amounts included in account 303, Miscellaneous intangible property (§367.3030), and the items of limited-term interest in land included in the

accounts for land and land rights, must be as provided for in the text of account 111, Accumulated provision for amortization of service company property (§367.1110), account 404, Amortization of limited-term property (§367.4040), and account 405, Amortization of other property (§367.4050).

Subpart D—Operating Expense Instructions

§ 367.80 Supervision and engineering.

(a) The supervision and engineering includible in the operating expense accounts must consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each service company function. Whenever allocations are necessary in order to arrive at the amount to be included in any account, the method and basis of allocation must be reflected by underlying records.

(b) This account must include the following labor items:

(1) Special tests to determine efficiency of equipment operation.

(2) Preparing or reviewing budgets, estimates, and drawings relating to operation or maintenance for departmental approval.

(3) Preparing instructions for operations and maintenance activities.

(4) Reviewing and analyzing operating results.

(5) Establishing organizational setup of departments and executing related changes.

(6) Formulating and reviewing routines of departments and executing related changes.

(7) General training and instruction of employees by supervisors whose pay is chargeable to the training and instruction. Specific instruction and training in a particular type of work is chargeable to the appropriate functional expense account (*See* Service Company Property in §367.51(a)(19)).

(8) Secretarial work for supervisory personnel, but not general clerical and stenographic work chargeable to other accounts.

(c) This account must include the following expense items:

(1) Consultants' fees and expenses.